

A. 40

Patty K. Walsh

To: RAC
Subject: Adams News Release

Below is a news release issued by Adams Golf which crossed the newswires at 6:55 CDT this morning. There is a page two to this release, which is the income statement; however, it would not paste successfully into this document. If you would like to get a copy of the Income Statement, please respond to this e-mail with your name and fax number.

Thanks,
Patty Walsh

NEWS RELEASE

For more information, please contact:
Patty Walsh
Director, Investor Relations
(972) 673-9850

FOR IMMEDIATE RELEASE

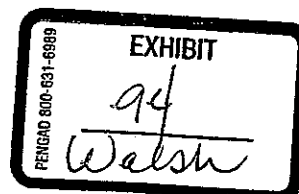
ADAMS GOLF REPORTS RECORD SECOND QUARTER SALES AND EARNINGS

First Earnings Report as a Public Company

PLANO, TEXAS, July 22, 1998. Adams Golf (NASDAQ:ADGO) today announced record sales and earnings for the second quarter ended June 30, 1998. Net sales increased 751 percent to \$33,817,000 as compared to net sales of \$3,974,000 during the second quarter of 1997. Net income increased to \$6,657,000, or \$0.35 per share on a diluted basis, for the three month period ended June 30, 1998 from a loss of \$4,000, or \$0.00 per share, for the comparable period in 1997.

For the six month period ended June 30, 1998, net sales were \$58,328,000, an increase of 970 percent from \$5,449,000 for the comparable period in 1997. Net income for the six month period ended June 30, 1998 was \$12,299,000 or \$0.66 per share on a diluted basis, versus \$41,000 or \$0.00 per share for the first six months of 1997.

B.H. (Barney) Adams, Chairman, CEO and President of Adams Golf, stated, "The Company has enjoyed tremendous growth because of the demand by golfers for our innovative clubs. We are pleased to report such outstanding results in our first earnings report as a publicly held company."



ADAMS 004977

The Company designs, manufactures and markets premium quality, technologically innovative golf clubs including the Tight Lies® fairway woods. The Company's Common Stock began trading on the Nasdaq Stock Market's National Market on Friday, July 10, 1998. Further information on the Company can be found on its Internet site, www.adamsgolf.com.

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Dow Jones & Reuters

DOW JONES
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Callaway Golf Earnings -3: Sees Improved Margins In '99>ELY

230 words

22 July 1998

17:32

Dow Jones News Service

English

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DATE Apr. 27/06 EXHIBIT NO. 41

EXAM. OF Greg Pratt

Ken Morasse

COURT REPORTER CSR(A)

Austian Reporting Group

Callaway Golf Co. (ELY) attributed weakened results to the Asian economic problems and softening of U.S. demand.

The company also cited declining sales of its metal wood clubs and a loss of some metal wood market share to competitors.

The company expects no "significant" improvement in sales in the near term. As a result, the company will review its business elements and seek to reduce costs.

Callaway will delay or eliminate all initiatives not essential to its core business.

The company expects the downturn in business and cost reduction initiatives to hurt earnings for the rest of 1998. The company said it might have a loss of 20 cents a share for the second half of 1998, resulting in full-year 1998 earnings of 25 cents a share.

A First Call consensus of 13 analysts predicted 1998 earnings of \$1.22 a share.

The company does not expect improvements in revenues from golf club sales in 1999 but expects improved margins in 1999 as a result of cost reductions.

Callaway expects 1998 sales above any ever achieved by a competitor.

Callaway earned \$132.7 million, or \$1.85 a diluted share, including a \$12 million charge, on sales of \$842.9 million, in the year ended Dec. 31, 1997.

(MORE) DOW JONES NEWS 07-22-98

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(MORE) DOW JONES NEWS 07-22-98

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A. 42



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Interoffice Memo

From the desk of
Patty Walsh
Ext.# 9595

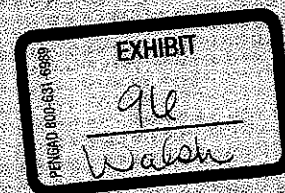
To: Barney

Date: [DATE]

Re: New York Times Interview

Below is what Darl and I have been telling investors regarding the price of our stock:

- Being newly public, we don't yet have a strong, established base of institutional support.
- Small Cap stocks have been particularly hard hit lately.
- Golf Industry News – Callaway, Lynx, Black Rock, Golden Bear. Callaway's disappointing Q2 results (despite our superior results for the same period), brought down the entire golf sector even though they cited increased competition from Adams Golf as one of the reasons for their decrease in sales.



ADAMS028455

A. 43

07/29/98

14:24

LEHMAN BROTHERS → 972 398 8818

NO. 628

001

LEHMAN BROTHERS

FACSIMILE

DATE: July 29, 1998

PAGES (INCLUDING COVER): 3

TO:

Barney Adams
Darl Hatfield
Adams Golf, Inc.
(972) 673-9000
(972) 398-8818 (Fax Number)

FROM:

Patrick Walravens
Lehman Brothers
(415) 274-5285
(415) 274-5381 (Fax Number)

MESSAGE:



Barney and Darl,

Attached are a summary outline and a summary of likely investor concerns for the Adams Golf conference call next week.

Pat



ADAMS 004394

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07/29/98

14:24

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NO. 620

P02

ADAMS GOLF CONFERENCE CALL SUGGESTED SUMMARY OUTLINE

- Welcome investors to first Adams Golf conference call + introduce who is there from the Company
- Read safe harbor language (get this from Arter & Hadden)
- **Barney Adams**
 - Pleased to announce introduction of our 2 wood and 11 wood
 - Now that quiet period has ended pleased to discuss Q2 results
 - Our business model is intact
 - On target for projections
 - New product development (driver) is on track
 - Very pleased with results to date
 - ADGO is one largest revenue companies in the industry
 - One of the fast growing companies in golf
 - It's a \$4 billion market worldwide
 - We continue to feel good about the business and to feel comfortable with the estimates the analysts have put forward
- **Darl Hatfield**
 - Q2 was a great quarter for Adams Golf
 - Revenues
 - We are comfortable with the analyst projections for the quarter and the year
 - Breakdown by Product
 - Breakdown by direct, non-direct, international
 - Gross margin (cost of goods sold)
 - Operating margin (operating expenses)
- Questions & Answer

ADAMS 004395

LEHMAN BROTHERS

07/23/98

14:24

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NO.620

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**ADAMS GOLF CONFERENCE CALL
CONCERNS TO EXPECT FROM INVESTORS
JULY 29, 1998**

CONCERN	RESPONSE
<ul style="list-style-type: none"> • Orlimar <ul style="list-style-type: none"> — Are retailers swapping Adams floor space for Orlimar? — Everyone is seeing the Orlimar commercials over the weekends. — Why does Orlimar dominate Darrell Survey rankings? — Does Orlimar beat you at your own game by offering retailers higher margins 	
<ul style="list-style-type: none"> ▪ Recent performance <ul style="list-style-type: none"> — How is this quarter shaping up? — Are you confident that you are in line for Q3? — What were the Golf Data Tech numbers for June? — How is retail sell through going? 	
<ul style="list-style-type: none"> • Callaway <ul style="list-style-type: none"> — What is the story behind the new Callaway club? — What impact will it have on Adams Golf's sales and projections? 	
<ul style="list-style-type: none"> • New products <ul style="list-style-type: none"> — Is driver development on track? 	
<ul style="list-style-type: none"> • Domestic sales <ul style="list-style-type: none"> — What were your domestic vs. international sales in Q2? — Did international sales make up for weak domestic sales in Q2? 	
<ul style="list-style-type: none"> • Discounting <ul style="list-style-type: none"> — Tight Lies have been seen in many Costcos for \$146? — How is product getting there? — What is Adams Golf doing about it? 	

LEHMAN BROTHERS

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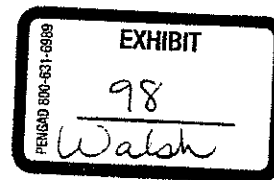
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NationsBanc Montgomery Securities LLC

Facsimile

Date: 08/04/98
To: Patty Walsh
cc:
Company: Adams Golf
Fax: 972-673-9590
Page(s): 9
From: Jennifer Shack
Telephone: 415-627-2237
Fax: 415-913-5970
RE:

Here is the piece that we distributed to our sales force and put on First Call this morning.



If all pages do not transmit, please call (415) 627-2000.

Confidentiality Note:

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NO.193 P.2/9

NATIONSBANC MONTGOMERY***NATIONSBANC MONTGOMERY***NATIONSBANC MONTGOMERY

ADAMS GOLF, INC.***RATING: BUY**

August 4, 1998	CONSUMER PRODUCTS	NASDAQ: ADGO
John W. Weiss (415) 627-2240		Handout
Bracken J. White (415) 913-3528		DJIA: 8842 S&P 500: 1118 NMSGI: 119

PRICE:	\$9 - 3/4	FY ENDS 12/31	1997	1998E	1999E
52-WEEK RANGE:	\$18 - 9				
FULLY DILUTED SHARES O/S:	23.4	Q1 (MAR)	\$0.00	\$0.31A	\$
MARKET CAPITALIZATION:	\$228.2 MM	Q2 (JUN)	0.00	0.35A	
AVG DAILY VOL. (3 MOS.):	947,878	Q3 (SEP)	0.24	0.22 (3)	
SECULAR EPS GROWTH:	25%	Q4 (DEC)	0.31 (2)	0.20 (4)	
1998E REVENUES:	\$106 MM	FISCAL YEAR	\$0.57 (2)	\$1.05	\$1.25
MARKET CAP./REVENUES (1):	215%	P/E	17.1	9.3	7.8
3/98 TOTAL DEBT (1):	\$1.1 MM	P/E/G	68%	37%	31%
3/98 LTD/TOTAL CAP. (1):	1%				
1998 ROAE:	45%				
3/98 SHAREHOLDERS EQ.(1):	\$72.9 MM				
3/98 BOOK VALUE/SHARE (1):	\$3.11				
DIVIDEND/YIELD:	NONE				

(1) Adjusted for IPO in July 1998.
(2) Excludes stock compensation and bonus award.
(3) Net income is projected to increase 86%.
(4) Net income is projected to advance 15%.

* NationsBanc Montgomery Securities LLC currently maintains a market in this security. NationsBanc Montgomery Securities LLC was manager or co-manager of a public offering and/or has performed investment banking or other services for this company in the last three years.

Summary and Investment Conclusion

We have initiated coverage of Adams Golf, Inc., with a rating of **BUY**, and purchase is recommended. Adams Golf is currently experiencing extremely rapid growth as a result of strong customer acceptance of its Tight Lies fairway woods, which enhance golfers' ability to hit from a variety of poor lies and still achieve good distance. Sales rose from \$3.5 million in 1996 to \$36.7 million in 1997 and jumped from \$5.4 million to \$58.3 million in the first half of 1998. We expect annual sales to rise from \$36.7 million in 1997 to \$106 million in 1998 and \$162.5 million in 1999. EPS are anticipated to increase from \$0.57 in 1997 to \$1.05 in 1998 and \$1.25 (+19%, with 11% more shares outstanding) in 1999.

The critical issues are the following:

- ◆ What are the prospects for growth in Adams' sales of fairway woods in the U.S. in 1999, which will be the fourth year of the original Tight Lies 4-wood and the third year for most of the other

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600 Montgomery Street San Francisco California 94111 (415) 627-2000

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lofts? We assume that Adams' sales will decline sequentially (but still increase dramatically year to year) in the third and fourth quarters of 1998, primarily because of normal seasonality of demand. The declines we project in EPS in the third and fourth quarters of 1998 on a year-over-year basis reflect an 86% increase in shares outstanding. In addition, we project that growth of Adams' fairway wood sales in the U. S. will slow to 7% in 1999 as a result of the age of the product, recent increased availability of Orlimar fairway woods at retail and the introduction by Callaway of a new and presumably improved fairway wood. There are no signs currently of a decline in demand for Adams' products based on comments by retailers and the maintenance of retail prices at \$199 per club at almost all outlets. Our 1999 EPS estimate assumes that Adams lowers its wholesale price by \$10 per club in 1999, which should allow retailers to continue to achieve attractive gross profits on Adams' fairway woods even if retail prices slip somewhat.

- ◆ Will Adams be successful in selling its fairway woods in foreign markets, which accounted for only 2% of Adams' sales but 50% of industry sales in 1997? Adams has already named 33 distributors in 39 countries, and the initial sell-in to most of these distributors in the second quarter of 1998 was above plan. Early indications are that consumer demand for Adams' products is strong in many foreign countries at retail prices that are equivalent to \$300-400. These retail prices are likely to decline as distribution is broadened, and this should further stimulate consumer demand.

Our 1999 EPS estimate assumes that foreign markets represent 23% of Adams' fairway wood sales. Foreign sales accounted for 33% of Callaway's sales in the third year of the original Big Bertha line.

- ◆ Will Adams be successful in introducing new products? The company expects to introduce a driver incorporating a new but unspecified technology in early 1999. Our 1999 EPS estimate assumes that sales of this product approximate \$27 million next year, which seems achievable if a market share of only 4% is attained in the U. S. We estimate Adams' dollar share of fairway woods in the U. S. at 16% in 1998. We believe about 1.1 million golfers will own one or more Adams fairway woods by mid-1999. Our projection of driver sales of \$27 million in 1999 could be achieved if only 12% of the owners of Adams fairway woods purchased a driver. For the industry and for Callaway, driver sales approximate fairway wood sales.

Projections for a new product are inherently speculative. However, we believe investors should remember that in the 1992-1996 period, when Callaway's sales and earnings grew strongly, there was never much "visibility" for that company into the next year in terms of new products. In addition, Callaway shares were often volatile in response to concerns such as "I saw a Big Bertha in Costco" or "some retailer offered a Big Bertha at \$10 below an earlier price" that proved to be irrelevant. We expect Adams stock to also be volatile.

In view of Adams' currently very low sales in foreign markets and the absence of a driver, success in either or both of these untapped segments has the potential to dramatically expand Adams' sales, assuming sales of existing products are maintained. Because of the company's unusually high gross margin of 74%, small changes in market share or sales can have a significant effect on EPS. A 5% point change in market share in fairway woods or drivers either in the U. S. or in foreign markets can influence EPS by \$0.30-0.35.

We believe the stock's current P/E multiples of 9.3x projected 1998 EPS and 7.6x estimated 1999 profits discount the uncertainties associated with any rapidly growing company that is dependent on

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successful new products. As suggested, our key assumptions appear to provide opportunities for favorable surprises. It should also be noted that Adams has cash of \$3 per share and no debt.

Adams is a leading manufacturer and marketer of a line of premium-quality, technologically innovative fairway woods sold under the Tight Lies brand name. The Company's clubs enhance golfers' ability to hit from a variety of poor lies and still achieve good distance. Adams' uses a marketing model that integrates direct response and traditional image-based advertising to generate brand awareness and drive sales.

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ADAMS GOLF, INC.Annual Sales and Earnings Model
(\$ millions)

FY ends 12/31	1997(1)	1998E	1999E
Sales			
<i>Fairway Woods</i>	\$35.7	\$108.0	\$135.8
United States	35.8	88.1	105.0
Wholesale	25.4	85.8	92.0
Direct Response	9.5	12.3	13.0
Foreign (Wholesale)	0.8	7.9	30.9
<i>Drivers</i>			28.8
United States			21.6
Wholesale			8.6
Direct Response			12.0
Foreign (Wholesale)			5.0
Total Sales	36.7	109.0	162.5
Gross Profit			
<i>Fairway Woods</i>	26.7	78.2	85.0
United States	26.4	75.8	78.2
Wholesale	19.0	66.0	68.7
Direct Response	7.4	8.8	10.1
Foreign (Wholesale)	0.3	3.1	12.1
<i>Drivers</i>	0.0	0.0	17.4
United States			15.4
Wholesale			5.5
Direct Response			8.9
Foreign (Wholesale)			2.0
Total Gross Profit	26.7	78.2	102.4
Selling Expense	13.1	28.0	43.7
G&A Expense	2.1	16.0	18.0
R&D Expense	0.8	1.6	2.8
Total Operating Expense	16.0	44.6	65.3
Operating Income	10.0	34.2	43.4
Other Income (Expense)	(0.1)	0.8	2.6
Pretax Income	10.0	35.0	46.0
Tax Rate	34.0%	37.0%	37.0%
Net Income	7.1	22.0	29.0
EPS	\$0.57	\$1.05	\$1.25
Average Shares Outstanding	12.5	20.9	23.2
(1) Excludes special one-time charge for stock compensation and assumes a tax rate of 34%			
Gross Profit as % of Segment Sales			
<i>Fairway Woods</i>			
United States			
Wholesale	72.0%	78.9%	75.1%
Direct Response	78.0%	78.7%	77.7%
Foreign (Wholesale)	40.0%	38.2%	39.2%
<i>Drivers</i>			
United States			
Wholesale			67.7%
Direct Response			74.2%
Foreign (Wholesale)			40.0%
Margin Analysis			
Percent of Total Sales			
Gross Profit	72.7%	74.2%	68.9%
Selling Expense	35.7%	26.4%	26.8%
General and Administrative	5.7%	14.2%	11.7%
Research and Development	1.0%	1.5%	1.6%
Total Operating Expense	43.1%	42.1%	40.2%
Operating Income	28.7%	32.3%	28.7%
Pretax Income	28.4%	33.0%	28.3%
Net Income	19.4%	20.8%	17.8%
Percentage Change - Y/Y			
Total Sales		188.8%	53.3%
Selling Expense		113.7%	56.1%
General and Administrative		614.3%	26.7%
Operating Income		213.8%	28.9%
Other Income (Expense)		NMIF	225.0%
Pretax Income		224.1%	31.4%
Net Income		208.6%	31.7%
EPS		91.2%	14.7%
Average Shares Outstanding		67.2%	11.0%

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ADAMS GOLF, INC.Quarterly Sales and Earnings Model
(\$ millions)

FY ends 12/31	1997				1998			
	1Q	2Q	3Q	4Q (1)	1Q	2Q	3QF	4QF
Sales								
Fairway Woods					\$24.5	\$33.8	\$25.5	\$22.2
United States					23.3	28.7	24.2	20.8
Wholesale					20.5	26.0	21.0	18.3
Direct Response					2.8	3.7	3.2	2.5
Foreign (Wholesale)					1.2	4.1	1.3	1.3
Driver								
United States								
Wholesale								
Direct Response								
Foreign (Wholesale)								
Total Sales	1.5	4.0	14.2	17.0	24.5	33.8	25.5	22.2
Gross Profit								
Fairway Woods					18.6	26.0	18.4	15.7
United States					18.1	24.4	17.9	15.2
Wholesale					15.8	21.5	15.4	13.2
Direct Response					2.2	3.1	2.5	2.0
Foreign (Wholesale)					0.5	1.6	0.5	0.5
Driver								
United States								
Wholesale								
Direct Response								
Foreign (Wholesale)								
Total Gross Profit	0.9	2.4	10.8	12.8	18.6	26.0	18.4	15.7
Selling Expense					6.2	11.1	6.3	4.4
G&A Expense					3.6	3.7	3.8	3.9
R&D Expense					0.1	0.5	0.5	0.5
Total Operating Expense	0.8	2.4	6.4	8.2	9.9	15.3	10.6	8.8
Operating Income	0.1	0.0	4.2	6.6	8.7	10.7	7.8	6.9
Other Income (Expense)					0.0	0.0	0.4	0.4
Pretax Income					8.7	10.7	8.2	7.3
Tax Rate					36.0%	38.1%	37.0%	37.0%
Net Income	0.04	0.0	3.1	4.0	5.6	6.7	5.1	4.6
EPS	\$0.00	\$0.00	\$0.24	\$0.31	\$0.31	\$0.36	\$0.22	\$0.20
Average Shares Outstanding	12.5	12.5	12.5	12.5	18.3	18.0	23.0	23.4
Gross Profit as % of Segment Sales								
Fairway Woods								
United States								
Wholesale					77.6%	81.2%	73.3%	72.1%
Direct Response					78.8%	83.0%	77.0%	77.0%
Foreign (Wholesale)					40.0%	40.0%	40.0%	40.0%
Margin Analysis								
Percent of Total Sales								
Gross Profit	60.0%	60.0%	74.7%	75.0%	75.9%	76.9%	72.0%	70.7%
Selling Expense					25.3%	32.8%	24.7%	19.8%
General and Administrative					14.7%	10.9%	14.9%	17.6%
Research and Development					0.4%	1.4%	2.0%	2.3%
Total Operating Expense	53.3%	60.0%	45.1%	36.5%	40.4%	45.3%	41.6%	39.6%
Operating Income	6.7%	0.0%	29.6%	38.8%	35.5%	31.7%	30.5%	31.1%
Pretax Income					35.8%	31.7%	32.0%	32.9%
Net Income	2.7%	0.0%	21.8%	23.5%	22.7%	18.8%	20.2%	20.7%
Percentage Change - Y/Y								
Total Sales					1533.3%	745.0%	79.8%	30.6%
Gross Profit					1866.7%	883.3%	73.3%	22.7%
Operating Income					8600.0%	NMF	84.8%	4.8%
Net Income					13820.0%	NMF	65.9%	15.0%
EPS					NMF	NMF	(6.8%)	(36.6%)
Average Shares Outstanding					46.0%	52.0%	84.0%	87.2%

(1) Excludes stock compensation and bonus awards.

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ADAMS GOLF, INC.

	<u>Unit Sales</u>			<u>Average Selling Price</u>		
<i>FY end 12/31</i>	1997	1998E	1999E	1997	1998E	1999E
Fairway Woods	256,000	764,000	1,087,000			
United States	248,000	697,000	787,000			
Wholesale	198,000	622,000	719,000	\$133	\$138	\$128
Direct Response	50,000	65,000	68,000	\$190	\$190	\$190
Foreign	8,000	77,000	300,000	\$103	\$103	\$103
Drivers			134,000			
United States			94,000			
Wholesale			55,000			\$175
Direct Response			39,000			\$305
Foreign			40,000			\$125

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AUG. 4, 1998 2:42PM RESEARCH

NO. 193 P. 8/9

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ADAMS GOLF, INC.Sources and Uses of Funds
(\$ millions)

<i>FY ends 12/31</i>	1997	1998E	1999E
Sources			
Net Income	\$7.1	\$22.0	\$29.0
Depreciation	<u>0.2</u>	<u>0.2</u>	<u>0.3</u>
Total From Operations	7.1	22.2	29.3
Common Stock	0.0	60.1	0.0
Debt	0.0	0.0	0.0
Other	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Sources	7.1	82.3	29.3
Uses			
Capital Expenditures	0.8	1.7	4.0
Debt Reductions	0.0	0.0	0.0
Other	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Uses	0.8	1.7	4.0
Change in Working Capital	6.3	80.6	25.3
Less: Increase in Inventories	0.0	(5.0)	(8.0)
Less: Increase in Receivables	0.0	(9.0)	(8.0)
Plus: Increase in Current Liabilities	<u>0.0</u>	<u>3.0</u>	<u>2.0</u>
Change in Cash	6.3	69.6	11.3
Year-End Figures			
Current Assets	\$15.9	\$99.5	\$126.8
Current Liabilities	\$9.0	\$12.0	\$14.0
Current Ratio	1.8 to 1	8.3 to 1	9.1 to 1
Cash	\$2.0	\$71.6	\$82.9
Debt	\$0.0	\$0.0	\$0.0
Shareholders' Equity	\$8.3	\$90.4	\$119.4

ADAMS 004247

AUG. 4.1998 2:43PM RESEARCH

NO. 193 P.9/9

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A. 46

JUL-29-1998 17:05

ADAMS GOLF

972 398 8818 P.02/03

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MEMO

To: Board of Directors
From: Barney Adams/Darl Hatfield
Re: Conference Call with Lehman Brothers

On July 28, 1998 a conference call was held with the following individuals participating:

Adams Golf:

Barney Adams—CEO
Darl Hatfield—CFO
Finis Conner—Board of Directors (Pricing Committee Member)
Paul Brown—Board of Directors (Pricing Committee Member)

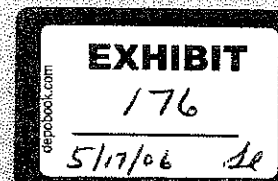
Lehman Brothers:

J. Stuart Francis—Managing Director (Investment Banking)
Olga Pulido—Senior Vice President (Investment Banking)
Patrick Walravens—Associate (Investment Banking)
Mark Paley—Managing Director (Equity Syndicate)
Brad Smith—Vice President (Equity Syndicate)

A general discussion was had to determine what has affected the price of the Company's stock. The primary reasons presented by Brad Smith and Mark Paley concerned the following:

- General market conditions for small to mid cap companies have reflected poor performance of this group as demonstrated by a 6.8% decline in the Russell 2000 Index since the Company went public.

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- Calloway's press release for the second quarter reflected much poorer performance than had been predicated by analysts.
- Golden Bear : Stock has been suspended from trading and will likely be delisted.
- Adidas: Reported poor results for its Taylor Made Division.
- Orlimar: Has continued to have success at the retail level and has been aggressive in providing incentives to retail sales personnel to promote their club.
- Reuters: Presented erroneous information regarding our second quarter by originally indicating we had incurred a loss. It is believed that Reuter's report had a negative influence on investors and therefore adversely affected the price of the stock.

In view of the above factors, it was recommended that we have a conference call with investors, analysts, and other interested parties to calm the market by discussing our business model. It was suggested that we review the timing of the new product introductions and present information similar to our road show presentations. Finis Conner emphasized that we should not accelerate new product introductions unless the business opportunity warrants such action and that we should limit our discussion to Adams Golf and how we differentiate ourselves from other models which are experiencing difficulty in the current market. It was also suggested that we survey our top retailers to determine our current status relative to our competitors.

If you have any questions regarding the above information, please don't hesitate to call Darl or myself. We expect to hold the conference call on either August 5th or 6th and will fax you an announcement once the timing is determined.

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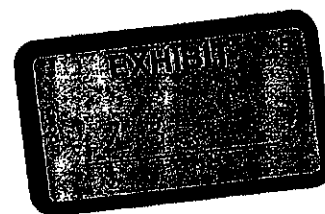
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1998



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A. 47



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August, 1998

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BYLINE: Jacobsen, Michael

THIS IS THE FULL TEXT

BODY:

MICHAEL JACOBSEN

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Don't think Adams isn't aware of the challenge, or the doubting eyes the entire the golf industry - grateful retailers and jealous vendors alike - is casting upon his company's next step.

Yup, the pressure sure is on Barney Adams, who exudes the down-home charm of an executive who would just as soon sip a lemonade on the clubhouse veranda as he would travel to New York to meet with the financial sharks. Ask him just how he's going to feed the voracious appetite of Wall Street for its ROI and golfers for new products, and he'll give you a 'Shucks, I don't know.'

But that's just the flying-under-the-radar persona he's been exhibiting all along as his Tight Lies took the industry by storm. He does indeed have a plan. 'You tell them what you're going to do,' he says. 'And then you do it.'

What, exactly, is that plan for the future? 'I tell them that Adams Golf is not a product, it's a company. That's our real story,' Adams says.

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Golf Pro August, 1998

Callaway or Taylor Made, and to pull off a much-copied, but bet-the-farm risky, infomercial concept. And it has the design staff to make many believe that there is something behind Tight Lies to keep the Adams momentum going.

'They've been successful because it has been a while since a major company had introduced anything in the fairway woods sector,' says Robert Marvin, an analyst for Seidler Companies in Los Angeles. 'If you look at it, we really have had few interesting new choices other than Adams and Orlimar.'

Don't think the retailers haven't sat up and taken notice, either, even though there were a few bumps in the road in the early going. 'There's no doubt they've been a good seller for us over the last six to 12 months,' says Thomas Hurford, executive v.p. at Las Vegas Golf & Tennis. 'The margins had eroded for a while because of their split-level pricing that didn't allow for a level playing field, but that's been taken care of.'

Hurford calls himself both a fan and a critic of Adams Golf. On the one hand, he praises its ability through the roller-coaster ride of the past two years to develop a product, and then deliver it. 'The shallow face was a new concept, and it works, so that got it started,' he says. 'But a big thing for us is fill rates. If a company has a new product and can't fill it fast enough, it doesn't do us any good. Adams has done an admirable job in keeping up with it.'

On the other hand, sales of product from that other hot company - Orlimar - have surpassed Adams at Las Vegas Golf, and in usage toutour. That doesn't mean the bloom is off the Adams rose, however, and overall Hurford remains sold on a brand that is still seeing eight turns a year at retail. But, he adds, 'Now they have to go to that next level.'

That's what Wall Street and the financial analysts are saying as well, and they are unsure of where that next level will be once the likes of Callaway, Titleist and Taylor Made really turn their attention to Adams' niche in fairway woods. 'You are about to see some increased emphasis on this category from some very well-funded companies,' Seidler's Marvin predicts, not going too far out on a limb.

Noone has to tell Barney Adams that what he has is a promising but one-dimensional company with a bull's-eye on its back. 'We understand the challenge,' he says. 'We are a company that's being given the opportunity to become a major player in this industry. You do that by continuing to do what you do well.'

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Golf Pro August, 1998

Marvin agrees, to an extent. 'The signing of Nick Faldo is a benchmark in the growth of the company,' he says, but one whose importance is still to be determined. 'If all he does is carry the Tight Lies in his bag, then it won't be important at all. But if he can help them develop a set of irons and puts it in his bag, then it will have an impact.'

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Others wonder how the company will meld the disparate images of the free-spirited Adams and the notoriously upright Faldo into a cohesive corporate image. Barney Adams chuckles at the thought, but politely disagrees. 'We're a lot alike,' he says. 'Nick's a grinder, he reinvented his swing, he's a worker. Everybody thinks I'm an overnight success, but it took me 15 years to be one. Nick is tough, and so is Barney.'

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Barney Adams listens to all of these concerns and, of course, has a response.

On playing the Dave Thomas role: 'First of all, Dave's a lot heavier than I am,' Adams says. 'But we did it the personality campaign on purpose. Having a face associated with a company is valuable, and it's worked for others in the past. It's working for us now.'

On Nick Faldo: 'The biggest benefit is his knowledge of golf equipment and about what makes a good golf club. But beyond that, if you are going into the public arena, you have to have a plan to increase visibility. In the history of golf, no one has ever succeeded without some form of tour affiliation. Nick is our answer to that, and more.'

On green-grass concerns: 'They haven't experienced any situations where the big retailers could get product and they couldn't. By and large, our goal is to treat our customers fairly in terms of product, price and delivery. We have no intention of changing that.'

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IAC-CREATE-DATE: August 17, 1998

LOAD-DATE: August 18, 1998

A. 48

Barney's Army

The Adams family of product must grow to keep its supporters happy

By MICHAEL JACOBSEN

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Adams and Faldo at home on the range

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A. 49

D. HATFIELD

LEHMAN BROTHERS

August 28, 1998

Growth Stocks

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ADAMS

ADAMS GOLF, INC.

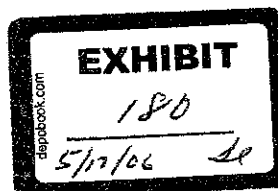
FORE! A GOLF EQUIPMENT GIANT IS HEADED YOUR WAY

1 Buy

ADGO 6 5/8	52-Wk Range 19-6				FY 12/31	S&P 500 1042.57	
	1Q	2Q	3Q	4Q	Year	P/E	Div.
1997A	-	-	-	-	-0.37	NM	Nil
1998E	0.31a	0.35a	0.23e	0.19e	1.05e	6.3	Nil
1999E	0.29	0.36	0.32	0.29	1.26	5.3	Nil
Shares Outstanding	23.1 Million				DJIA 8165.99		

Growth Drivers: New Products, International Sales and Market Share

- We have initiated research coverage of Adams Golf, Inc., with a 1 Buy recommendation. Adams Golf has grown into one of the top five manufacturers of premium golf equipment in the U.S. and has its sights set on becoming the top domestic equipment manufacturer before long.
- The success of the company's fairway woods -- marketed under the "Tight Lies" brand -- have made Adams Golf the market leader in this segment. As all successful golf companies before it have done, Adams has established a position of dominance in its chosen sector (fairway woods) upon which it can build a larger company.
- Adams should experience solid top- and bottom-line growth fueled by new product introductions (a new driver introduced in 1999) and a meaningful expansion of international sales. All growth will be anchored by the company's position as the leading manufacturer of fairway woods in the U.S.
- We believe that despite some areas of weakness in the domestic market for golf equipment (weakness that, in our opinion, is driven by a lack of new innovations in the equipment market) there are specific areas of strength. For example, we believe that firms specializing in fairway woods are enjoying a fairly healthy operating environment.
- We have a 12-month price target for Adams Golf of \$23 (18 times our 1999 estimate of \$1.26) and recommend purchase of the shares with a 1 Buy.



ADAMS 004035

LEHMAN BROTHERS

APPENDIX 1: PRO
SHOP SURVEY

We have spoken with a number of leading on- and off-course golf shops in the U.S. over the past three months and have arrived at some conclusions about the fairway woods marketplace.

Adams Golf

Sales of the Tight Lies this summer have been characterized as "steady" and "strong." We are encouraged by the strong retail sell-through that the company continues to achieve. Our checks with retailers have indicated that the Tight Lies continue to be a top selling product. Although returns are historically lower at the retail level than through direct response, we would note that many retailers we spoke with indicated that returns for Adams clubs tend to be much lower than average.

Margins/Pricing

One concern that we should report is that Adams Tight Lies are appearing in Costco Wholesale stores with increasing regularity. Adams has filed a suit of discovery against Costco to determine how Costco — an unauthorized retailer — has secured this inventory. One retailer in particular indicated that "*Costco is flooding the market with Adams clubs at \$149*" (versus an average wholesale price of \$144) — a trend that we have seen in a few markets. Although, this is an extremely serious issue that Adams is working hard to correct, we think investors should note that Costco is also selling popular clubs from Callaway and Taylor Made.

Orlimar Golf

Orlimar Golf's Tri-Metal woods continue to sell through the retail market well. Retailers indicated that the marketplace is becoming more aware of the relative benefits of the Orlimar clubs (principally designed for better golfers) and thus returns have slowed (down from high double digits to roughly 10%). An interesting note for investors is the issue of retailer margins provided by the Orlimar clubs. Orlimar's Tri-Metal woods currently retail for roughly \$269 per club and the standard wholesale rate for an Orlimar club, we estimate, is roughly \$230 per club or a \$40 profit (15% margin) on the clubs. Below we compare retail prices, wholesale prices and margins for Orlimar and Adams products.

Figure 22: Adams Golf, Inc.:
Average Retail, Wholesale and Margin Comparison

Company	Avg. Retail Price	Avg. Wholesale Price	Margin
Adams Golf — <i>Tight Lies</i>	\$199	\$144	27.6%
Orlimar Golf — <i>Tri-Metal</i>	\$269	\$230	14.9%

Source: Lehman Brothers.

However, certain larger customers of Orlimar Golf indicated to us that they are offered a quarterly "rebate" by Orlimar that can lower the average cost per club by as much \$100 per club. At a "modified" wholesale price (after rebate) of \$130 per club a large customer's margin can grow to \$149 per club or 53% — which is dramatically higher than its competitors. We view the Orlimar margin difference as a critical point for investors. We believe that rebates are offered to only the largest customers of Orlimar and as such, many average retailers do not realize a meaningful margin benefit with the Orlimar product.